

## Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 AID-05 IGA-02 AGR-05 AGRE-00 EB-07

OMB-01 TRSE-00 COME-00 CIAE-00 INR-07 NSAE-00 L-03

PC-10 SP-02 /051 W

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R 101300Z SEP 76

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 9512

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E.O. 11652: N/A

TAGS: EAGR, EAID, CG

SUBJECT: NORTH SHABA PROJECT

REF: KINSHASA 3301

1. MEMBERS OF MY STAFF AND I HAVE REVIEWED THSRECENT PROJECT  
PAPER PRODUCED BY USAID IN COLLABORATION WITH GOZ OFFICIALS AND

THE ASSISTANCE OF A SELECT PROJECT DESIGN TEAM. AS INDICATED IN  
REFTEL, CAREFUL AND CREATIVE CONSIDERATION WAS NEEDED TO TRANS-  
FORM THE PROJECT, AS DESCRIBED IN THE PRP, INTO A FINAL PRODUCT  
WHICH WE COULD REASONABLY SUPPORT. THE PP APPEARS TO HAVE DONE  
THIS. WHEREAS THE PRP RECOMMENDED THAT THE USG FINANCE ACTIVITIES  
COSTING IN EXCESSOF \$12 MILLION (\$3.8 MILLION GRANT AND \$8.3  
MILLION LOAN), THE PROJECT HAS BEEN RECAST AND TIGHTENED UP SO  
THAT TOTAL US COSTS WOULD BE SOMEWHERE BETWEEN \$8-\$9 MILLION.  
THESE FUNDS ARE TO BE EXPENDED RATHER EVENLY OVER SIX YEARS IN  
LIEU OF THE PREVIOUS ATTEMPT TO SQUEEZE A COMPLICATED RURAL  
DEVELOPMENT PROGRAM INTO A TIGHT FOUR-YEAR SPAN. HAPPILY, THE  
REDUCED COSTS AND EXTENDED INVESTMENT PERIOD SIGNIFICANTLY IN-  
CREASE THE ANTICIPATED INTERNAL RATE OF RETURN FROM AN ESTIMATED  
17 PER CENT IN THE PRP TO 22-25 PER CENT IN THE PP OVER THE TEN  
YEAR PERIOD DURING WHICH THE INPUTS ARE EXPECTED TO ACHIEVE THEIR  
FULL IMPACT. THIS BOOSTS THE BENEFIT/COST RATIO FROM LESS THAN

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1 TO 1.7 WHICH IS INDEED A VERY RESPECTABLE BENEFIT INDICATOR.

2. AS REGARDS COSTS TO ZAIRE, THE GOZ WILL BE REQUIRED TO SPEND APPROXIMATELY THE SAME AMOUNT IN LOCAL CURRENCY AS THE US CONTRIBUTION IN DOLLARS, I.E., BETWEEN \$8-\$9 MILLION. THIS WILL BE AVAILABLE FROM COUNTERPART FUNDS GENERATED IN EXISTING US PL 480 AND COMMODITY IMPORT PROGRAMS, AS WELL AS FROM A GROWING APPORTIONMENT OF GOZ BUDGETS FOR RURAL DEVELOPMENT. IN CONTRAST TO THE PRP, HOWEVER, NO FOREIGN EXCHANGE FOR PROJECT EXPENDITURES WILL BE REQUIRED FOR THE FIRST FIVE OR SIX YEARS, AT WHICH TIME ZAIRE SHOULD HAVE ALREADY BEGUN TO REALIZE SAVINGS ON MAIZE IMPORTS EQUAL TO OR IN EXCESS OF THOSE AMOUNTS GENERATED BY THE DEVELOPMENT PROGRAM.

3. A MAJOR REASON FOR THE REDUCED COSTS WAS THAT THE AID DESIGN TEAM MADE AN IN-DEPTH STUDY OF THE LOCAL TRANSPORTATION STRUCTURE. THEY NOTED THAT A LARGE PART OF THE ROAD SYSTEM REQUIRES ONLY MODEST EFFORTS FOR REHABILITATION AND CONTINUING MAINTENANCE BECAUSE THE ROADS ARE USED PRIMARILY IN THE DRY SEASON AND DO NOT, THEREFORE, SUFFER THE DEVASTATING EFFECTS OF HEAVY TRAFFIC ON WATER-SOAKED DIRT ROADS. THUS, THE PROJECT PROPOSES TO IMPROVE AND MAINTAIN APPROXIMATELY TWICE AS MANY KILOMETER OF ROAD (1,300 KM) AND AT HALF THE TOTAL COST THAN WAS EARLIER ESTIMATED IN THE PRP. COST REDUCTIONS BELOW THE PRP WERE ALSO REALIZED BY MORE CONSCIOUS ATTENTION TO USE OF LABOR INTENSIVE TECHNIQUES IN LIEU OF HEAVY EQUIPMENT WHEREVER POSSIBLE.

4. FURTHER SAVINGS WERE MADE IN THE CONCEPTUALIZATION OF THE TECHNOLOGICAL INNOVATIONS REQUIRED FOR BOOSTING MAIZE PRODUCTION. OVER THE FIRST SEVERAL YEARS, THE US TECHNICIANS ARE TO ASSIST ZAIRIAN EXTENSION AGENTS IN THEIR HOME AREAS IN IDENTIFYING THE MOST PRODUCTIVE FARM PRACTICES WHICH CAN BE DUPLICATED WITH LITTLE OR NO ADDITIONAL COST. DURING THIS PERIOD, THE JOINT US/GOZ DEVELOPMENT PERSONNEL WILL HAVE AN OPPORTUNITY TO EVOLVE IMPROVED PRACTICES INVOLVING MORE MODERN INPUTS (INSECTICIDES AND FERTILIZERS, FOR EXAMPLE) AND BETTER LOCAL ORGANIZATIONAL ARRANGEMENTS INCLUDING FARMER GROUPS AND GOZ SUPPORTING SERVICES OF SEVERAL GOVERNMENT AGENCIES. AN ADDITIONAL ADVANTAGE IN THIS FLEXIBLE APPROACH IS THAT PROJECT ACTIVITIES WILL INVOLVE FARMER GROUPS IN THE PLANNING AND IMPLEMENTATION OF THEIR PROGRAMS. THUS, THE PROJECT DESIGNERS WERE ABLE TO KEEP GOVERNMENTAL INSTITUTIONAL LIMITED OFFICIAL USE

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STRUCTURES DELIBERATELY SIMPLE.

5. IN TERMS OF PERSONNEL, THE PP INCLUDES MORE PEACE CORPS INVOLVEMENT AND A REDUCED NUMBER OF PERSON-YEARS OF PERMANENT US CONTRACT TECHNICIANS. THE DESIGN LIMITS THE FULL-TIME US CONTRACT PERSONNEL TO NO MORE THAN EIGHT STATIONED AT THREE DIFFERENT LOCATIONS, MOST OF WHOM WILL BE PHASED IN ONLY AFTER THE FIRST YEAR OR TWO AND WHOSE SERVICES WILL BE TERMINATED IN THE FIFTH

AND SIXTH YEARS. THE REDUCTION IN PERMANENT US CONTRACT STAFF  
WILL BE MADE UP BY OCCASIONAL TDYS AND LOCAL HIRE OF THIRD  
COUNTRY NATIONALS OR ZAIRIANS, DEPENDING ON THE PARTICULAR NEEDS.

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6. ALTHOUGH THE ENTIRE PP IS NOW OVER 500 PAGES AND DOES NOT  
ATTEMPT TO ANSWER ALL THE QUESTIONS WHICH MIGHT ARISE DURING THE  
REVIEW AND IMPLEMENTATION OF THE OVERALL PROGRAM, IT DOES APPEAR  
TO BE A REASONABLE PACKAGE AND IT SHOWS A DELIBERATE CONCERN FOR  
THE INTENDED BENEFICIARIES AND THE FEASIBILITY OF OPERATING IN  
THE AREA. THE DESIGN TEAM WAS OBVIOUSLY CAPABLE AND EXTREMELY  
CONSCIENTIOUS. THE FINAL PAPER SEEMED TO REFLECT A PROPER BLEND  
OF AID EXPERIENCE WITH IN-DEPTH LOCAL OBSERVATIONS OF TWO AMERICAN  
ANTHROPOLOGISTS WHO HAVE LIVED IN THE AREA FOR THE PAST TWO  
YEARS AND WHOSE INSIGHTS AND CONTACTS ADDED A DIMENSION WHICH  
WAS ALMOST ENTIRELY LACKING IN THE PRP.

7. WE RECOGNIZE THAT THIS AREA IS INDEED REMOTE AND THAT SECURITY  
PROBLEMS IN THE PAST FURTHER ADDED TO OUR SKEPTICISM AS TO HOW  
AID COULD HOPE TO EMBARK ON SUCH A PROGRAM. HOWEVER, GIVEN THE  
MORE REASONABLE AND PRACTICAL APPROACH DESCRIBED IN THE PP, THE  
LACK OF ANY REPORTS OF SECURITY PROBLEMS IN THE RECENT PAST,  
LOCAL RECEPTIVITY OF THE ANTHROPOLOGISTS ALREADY LIVING IN THE  
AREA WITH NO UNTOWARD INCIDENTS, AND THE FACT THAT THIS IS A  
RESUMPTION OF A MAIZE PRODUCTION PROGRAM RATHER THAN AN ATTEMPT  
TO INTRODUCE A TOTALLY NEW AGRICULTURAL COMMODITY PRACTICE, WE  
BELIEVE THE PROJECT SHOULD PROCEED AS RAPIDLY AS POSSIBLE.

8. NEVERTHELESS, THERE ARE ASPECTS OF THE PROJECT WHICH DESERVE FURTHER ATTENTION AND WHICH WE WILL BE STUDYING AND MONITORING LIMITED OFFICIAL USE

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CLOSELY AS THE PROJECT MOVES INTO THE IMPLEMENTATION STAGES. AMONG THE MOST IMPORTANT TASKS ON OUR CHECKLIST ARE:

- TO FURTHER SPECIFY THE WORKING OF THE CREDIT MECHANISM AND TO STUDY THE CHOICE OF AN APPROPRIATE FINANCIAL INSTITUTION;
- TO MONITOR THE PERFORMANCE AND COOPERATION FROM THOSE GOZ AGENCIES CRITICAL TO THE SUCCESS OF THE PROJECT SUCH AS ONACER, OFFICE DES ROUTES, AND THE DEPARTMENT OF AGRICULTURE;
- TO MONITOR CLOSELY THE USE AND MAINTENANCE OF EQUIPMENT FINANCED UNDER THE PROJECT AND TO PROVIDE FOR THE PROCUREMENT OF SPARE PARTS ON A TIMELY BASIS;
- TO MONITOR, AS THE PROJECT PROCEEDS, THE REALIZED COSTS AND RETURNS OF THE PROJECT SO AS TO BE ABLE TO DETERMINE ITS APPROPRIATENESS AS A MODEL FOR FURTHER AGRICULTURAL DEVELOPMENT IN ZAIRE;
- TO STUDY THE PROBLEMS OF A SUCCESSFUL TRANSITION TO FULL GOZ DECISION-MAKING FOR THE PROJECT, INCLUDING PREPARATION FOR THE FINANCIAL, PERSONNEL AND INSTITUTIONAL REQUIREMENTS OF A SUCCESSFUL GOZ MANAGEMENT.

9. I WOULD ALSO URGE THAT THE DEPARTMENT STRONGLY RECOMMEND TO AID THAT ALL OR SIGNIFICANT PORTIONS OF THE US ASSISTANCE BE FINANCED ON A GRANT BASIS. AS A MINIMUM, USG SHOULD COVER THE COST OF AMERICAN PERSONNEL AND THOSE INPUTS ASSOCIATED WITH US-STYLE MANAGEMENT RESEARCH AND EVALUATION ACTIVITIES. IN THIS CONTINUING PERIOD OF SEVERE FINANCIAL CRISES IN ZAIRE, WE SHOULD MINIMIZE ANY ADDITIONAL BURDEN TO THEIR FOREIGN EXCHANGE DEBT WHILE SIMULTANEOUSLY ENCOURAGING THEM THROUGH THIS KIND OF A GRANT PROGRAM TO CONTINUE LIVING WITHIN THE STABILIZATION PROGRAM GUIDELINES.

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